

# SENATE BILL REPORT

## SB 6483

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As of January 22, 2018

**Title:** An act relating to revising education funding reform provisions to enhance uniformity, flexibility, and special education funding.

**Brief Description:** Revising education funding reform provisions to enhance uniformity, flexibility, and special education funding.

**Sponsors:** Senators Conway, Darneille, Keiser and Kuderer.

**Brief History:**

**Committee Activity:** Early Learning & K-12 Education: 1/22/18.

**Brief Summary of Bill**

- Specifies the regionalization factor for Franklin Pierce, Bethel, and Federal Way school districts.
- Increases the maximum amount a school district may collect through its local enrichment levy.
- Disallows eligibility for Local Effort Assistance if a school district's enrichment levy rate exceeds \$1.50 per \$1,000 of assessed value.
- Increases the special education multiplier to 2.09 for both categories of students with disabilities.
- Permits all staff to be counted when determining K-3 class size.
- Removes the focus first on reading requirement in the Learning Assistance Program.

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**SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION**

**Staff:** Jeff Mitchell (786-7438), Susan Mielke (786-7422).

**Background:** School District Salaries and Regionalization. In 2017, the Legislature reformed state allocations for school district staff salaries, including how school district staff salaries are established and adjusted in the future, through the enactment of EHB 2242. These changes take effect with the 2018-19 school year.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

*Before EHB 2242.* Through school year 2017-18 the state allocates funding for certificated instructional staff (CIS) salaries based on a grid which provides salary values that increase based on educational credit and years of service. Each district's CIS allocation is based on its staff mix, that is, the distribution on the state salary grid of the CIS hired by the district. Funding to support salaries for the classified staff (CLS) and administrative staff (CAS) is specified in the budget bill as a salary rate per state-funded staff person. In general, state salary funding is for allocation purposes only, and school districts are not required to hire staff according to the prototypical school staffing formula, nor are they required to pay CIS salaries according to the state CIS salary grid. Instead, actual salaries are determined by each district's collective bargaining agreements.

*After EHB 2242.* Under EHB 2242, beginning in school year 2018-19, the state will cease using the state salary schedule to allocate CIS salaries for school districts, thus eliminating use of a district's staff mix of CIS education and years of experience. Instead, the state will allocate salary funding to school districts based on minimum statewide average salaries for each of the three school staffing categories. Beginning in school year 2018-19, the minimum allocated salaries must be increased in equal increments to the following amounts for school year 2019-20, adjusted for inflation from the 2017-18 school year. In school year 2018-19 salaries are phased in at 50 percent:

- CIS: An average salary of \$64,000;
- CAS: An average salary of \$95,000; and
- CLS: An average salary of \$45,912;

Beginning with the 2018-19 school year, the state must further adjust its salary allocations to reflect regional differences in the cost of hiring staff. The regionalization factor for each school district is based on differences in the median residential value of each school district and its nearby districts, with adjustments of 6, 12, or 18 percent. An additional adjustment equal to 6 percent is identified in the budget bill and must be reduced on a specified schedule through the 2022-23 school year. For districts with a total adjustment of 24 percent, the additional 6 percent adjustment is completely eliminated by the 2022-23 school year. The additional 6 percent adjustment is reduced by 3 percentage points by the 2022-23 school year for other school districts receiving the additional adjustment.

Additional requirements are established for CIS salaries. Districts may not pay CIS less than \$40,000, or more than \$90,000, and salaries for CIS with five years experience must be at least 10 percent more than the minimum salary. These restrictions apply to salaries for the basic education program, and exclude supplemental contracts. Districts may exceed the caps for specified hard-to-staff positions. Each of the minimum and maximum salaries is adjusted by inflation and by a district's regionalization factor.

Local School District Levies and Local Effort Assistance. In 2017, the Legislature reformed the maximum amount school districts may collect through their local district levies (enrichment levies) through the enactment of EHB 2242. EHB 2242 also substantially modifies state funding for the state Local Effort Assistance (LEA) program, which currently provides support for school districts with high local tax rates due to low assessed values. These changes take effect in calendar year 2019.

*Before EHB 2242.* Through calendar year 2019, a school district's maximum enrichment levy amount is determined by the district's levy base and levy percentage, also referred to as a lid.

Generally speaking, a district's annual levy base is the total of its state and federal funding for the prior school year, adjusted for inflation, and including additional amounts that were added to the levy base in 2010, sometimes referred to as ghost money. The levy lid is the maximum allowable percentage of the levy base that a school district may collect. The levy lid for most school districts is 28 percent, which means that each calendar year, districts may collect up to 28 percent of their levy base. Some districts are grandfathered at a higher levy percentage. The 28 percent lid extends through calendar year 2018.

Through calendar year 2019, a school district is eligible for LEA funding if the school district has a higher than average levy rate and if the district has certified a local enrichment levy. Levies are equalized up to 14 percent of the levy base, half of the 28 percent levy lid that is applied to the majority of districts.

*After EHB 2242.* Beginning with calendar year 2019, school districts may collect enrichment levies based on a new levy lid. A district's maximum enrichment levy is the lesser of \$2,500 per pupil or a rate of \$1.50 per \$1,000 of assessed value.

To qualify for LEA funding, a school district must have a maximum local levy that generates less than a state LEA threshold of \$1,500 per pupil. LEA funding is provided on a per-pupil allocation basis so that the sum of enrichment levy funding and LEA funding for a qualifying district levying the maximum \$1.50 tax rate is \$1,500 per pupil. State LEA allocations are provided in proportion to the ratio of a school district's actual enrichment levy compared to its maximum levy.

Both the per-pupil local levy lid and LEA threshold amount are adjusted annually for inflation beginning in calendar year 2020. The per pupil calculations are based on the average annual resident full-time equivalent students.

LAP. This program provides supplemental instruction and services to assist K-12 students who are not meeting academic standards and to reduce disruptive behaviors in the classroom. The state allocation for LAP is based on the number of K-12 students enrolled in the school district who are eligible for free or reduced-price meals (FRPMs) in the prior school year, but students do not have to be eligible for FRPMs to be served in the LAP. School districts must focus first on students grades K-4 who are deficient in reading or reading readiness skills.

K-3 Class Size. Under EHB 2242, beginning 2018-19 school year, districts receive the K-3 class size funding for 17 students to 1 teacher only to the extent of, and proportionate to, the district's actual demonstrated class size.

Special Education Funding. School districts receive a funding enhancement for the “excess costs” of educating students receiving special education services. For birth through four-year olds, the special education excess cost allocation is 115 percent of the district’s average per-student general apportionment allocation. For 5 to 21-year olds, the state special education allocation is 93 percent of the district’s average per-student general apportionment allocation.

**Summary of Bill:** The bill as referred to committee not considered.

**Summary of Bill (Proposed Substitute):** Regionalization. Specifies that the regionalization factor for Franklin Pierce and Bethel school districts is 12 percent; and for Federal Way school district it is 18 percent.

Local School District Levies and LEA. Changes the maximum amount a school district may collect through its enrichment levy to the greater of the revenue generated from a \$1.50 per \$1,000 AV tax rate or \$2,500 per pupil. A school district levying a tax rate in excess of \$1.50 per \$1,000 assessed value (AV) is not eligible for LEA.

K-3 Class Size. The requirement to demonstrate actual class size in order to receive the 17 to 1 funding is delayed from the 2018-19 school year to the 2019-20 school year. School districts may include other staff in addition to classroom teachers when calculating the actual K-3 class class size.

Special Education Funding. The excess cost multiplier is increased to 2.09 for both categories of students.

LAP. The requirement for school districts to focus first on students in grades K-4 who are deficient in reading or reading readiness skills is removed.

**Appropriation:** None.

**Fiscal Note:** Requested on January 19, 2018.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** The bill contains several effective dates. Please refer to the bill.